

**SIGOURNEY COMMUNITY SCHOOL DISTRICT
SIGOURNEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements:	
G Statement of Net Assets	20
H Statement of Revenues, Expenses and Changes in Net Assets	21
I Statement of Cash Flows	22-23
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	24
K Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	26-40
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information – Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	46
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	47
Capital Projects Accounts:	
3 Combining Balance Sheet	48
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	49
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	50
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	51
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	52-53
8 Schedule of Expenditures of Federal Awards	54-55
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	56-57

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	58-59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60-64

SIGOURNEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Bill Rees	President	2013
Kenneth Gretter	Vice President	2011
Larry Alderson	Board Member	2011
Terry Hollingsworth	Board Member	2011
Mark O'Rourke	Board Member	2011
Teresa Dawson	Board Member	2013
Ruth Manchester	Board Member	2013
<u>School Officials</u>		
Todd Abrahamson	Superintendent	2011
Beckie Appleget	District Secretary/Treasurer and Business Manager	2011
Gruhn Law Firm	Attorney	2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigourney Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigourney Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2011 on our consideration of Sigourney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
December 28, 2011

Basic Financial Statements

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 839,377	\$ 82,113	\$ 921,490
Receivables:			
Property tax:			
Current year	62,167	-	62,167
Succeeding year	2,503,445	-	2,503,445
Income surtax	131,550	-	131,550
Accounts	2,173	-	2,173
Due from other governments	377,109	-	377,109
Inventories	-	10,484	10,484
Capital assets, net of accumulated depreciation (note 4)	4,726,625	39,697	4,766,322
Total assets	8,642,446	132,294	8,774,740
Liabilities			
Accounts payable	107,616	-	107,616
Salaries and benefits payable	3,307	-	3,307
Accrued interest payable	76,836	-	76,836
Unearned revenue	-	2,914	2,914
Deferred revenue:			
Succeeding year property tax	2,503,445	-	2,503,445
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	51,374	-	51,374
Capital lease purchase agreements	189,643	-	189,643
Promissory note payable	28,425	-	28,425
Bank loan payable	17,614	-	17,614
Portion due after one year:			
Early retirement	77,061	-	77,061
Capital lease purchase agreements	219,871	-	219,871
Promissory note payable	1,671,575	-	1,671,575
Bank loan payable	27,973	-	27,973
Net OPEB liability	84,000	-	84,000
Total liabilities	5,058,740	2,914	5,061,654

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,981,038	\$ 39,697	\$ 3,020,735
Restricted for:			
Categorical funding (note 10)	32,664	-	32,664
Physical plant and equipment levy	778	-	778
Student activities	101,688	-	101,688
Unrestricted	<u>467,538</u>	<u>89,683</u>	<u>557,221</u>
Total net assets	<u>\$ 3,583,706</u>	<u>\$ 129,380</u>	<u>\$ 3,713,086</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 4,755,683	\$ 368,858	\$ 954,960
Support services:			
Student services	26,923	-	-
Instructional staff services	154,731	-	6,500
Administration services	972,893	204,004	-
Operation and maintenance of plant services	583,793	-	-
Transportation services	324,098	-	-
	<u>2,062,438</u>	<u>204,004</u>	<u>6,500</u>
Non-instructional programs	<u>2,055</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	96,295	-	-
Long-term debt interest and fiscal charges	78,019	-	-
AEA flowthrough	237,125	-	237,125
Depreciation (unallocated) *	120,353	-	-
	<u>531,792</u>	<u>-</u>	<u>237,125</u>
Total governmental activities	<u>7,351,968</u>	<u>572,862</u>	<u>1,198,585</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>239,317</u>	<u>134,763</u>	<u>121,916</u>
Total	\$ 7,591,285	\$ 707,625	\$ 1,320,501

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,431,865)	\$ -	\$ (3,431,865)
(26,923)	-	(26,923)
(148,231)	-	(148,231)
(768,889)	-	(768,889)
(583,793)	-	(583,793)
(324,098)	-	(324,098)
(1,851,934)	-	(1,851,934)
(2,055)	-	(2,055)
(96,295)	-	(96,295)
(78,019)	-	(78,019)
-	-	-
(120,353)	-	(120,353)
(294,667)	-	(294,667)
(5,580,521)	-	(5,580,521)
-	17,362	17,362
(5,580,521)	17,362	(5,563,159)

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 2,264,849	\$ -	\$ 2,264,849
47,922	-	47,922
138,111	-	138,111
368,486	-	368,486
2,662,562	-	2,662,562
3,180	130	3,310
28,950	-	28,950
5,514,060	130	5,514,190
(66,461)	17,492	(48,969)
3,650,167	111,888	3,762,055
<u>\$ 3,583,706</u>	<u>\$ 129,380</u>	<u>\$ 3,713,086</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 368,081	\$ 308,198	\$ 163,098	\$ 839,377
Receivables:				
Property tax:				
Current year	58,000	1,290	2,877	62,167
Succeeding year	2,304,355	49,090	150,000	2,503,445
Income surtax	131,550	-	-	131,550
Accounts	2,173	-	-	2,173
Due from other governments	173,356	203,753	-	377,109
Total assets	<u>\$ 3,037,515</u>	<u>\$ 562,331</u>	<u>\$ 315,975</u>	<u>\$ 3,915,821</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,152	\$ 69,094	\$ 7,370	\$ 107,616
Salaries and benefits payable	3,307	-	-	3,307
Deferred revenue:				
Succeeding year property tax	2,304,355	49,090	150,000	2,503,445
Other	131,550	-	-	131,550
Total liabilities	<u>2,470,364</u>	<u>118,184</u>	<u>157,370</u>	<u>2,745,918</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	32,664	-	-	32,664
Management levy purposes	-	-	56,917	56,917
Student activities	-	-	101,688	101,688
School infrastructure	-	443,369	-	443,369
Physical plant and equipment	-	778	-	778
Assigned for:				
Specific instructional services	56,548	-	-	56,548
Unassigned	477,939	-	-	477,939
Total fund balances	<u>567,151</u>	<u>444,147</u>	<u>158,605</u>	<u>1,169,903</u>
Total liabilities and fund balances	<u>\$ 3,037,515</u>	<u>\$ 562,331</u>	<u>\$ 315,975</u>	<u>\$ 3,915,821</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances of governmental funds	\$ 1,169,903
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,726,625
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	131,550
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(76,836)
Long-term liabilities, including early retirement, notes payable, capital lease purchase agreements, bank loan payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,367,536)</u>
Net assets of governmental activities	<u>\$ 3,583,706</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,280,398	\$ 416,408	\$ 106,577	\$ 2,803,383
Tuition	172,705	-	-	172,705
Other	245,683	12,548	179,571	437,802
State sources	3,128,095	-	-	3,128,095
Federal sources	732,782	-	-	732,782
Total revenues	6,559,663	428,956	286,148	7,274,767
Expenditures:				
Current:				
Instruction	4,397,335	122,528	229,895	4,749,758
Support services:				
Student services	26,466	-	-	26,466
Instructional staff services	152,780	-	-	152,780
Administration services	943,368	39,187	-	982,555
Operation and maintenance of plant services	542,983	10,989	40,945	594,917
Transportation services	214,817	55,303	4,526	274,646
	1,880,414	105,479	45,471	2,031,364
Non-instructional programs	-	2,055	-	2,055
Other expenditures:				
Facilities acquisition	-	238,200	-	238,200
Long term debt:				
Principal	-	-	198,160	198,160
Interest and fiscal charges	-	-	43,174	43,174
AEA flowthrough	237,125	-	-	237,125
	237,125	238,200	241,334	716,659
Total expenditures	6,514,874	468,262	516,700	7,499,836
Excess (deficiency) of revenues over (under) expenditures	44,789	(39,306)	(230,552)	(225,069)

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ 120,909	\$ -	\$ 120,909
Promissory note issued	-	54,951	-	54,951
Bank loan proceeds	-	54,105	-	54,105
Sale of equipment	4,004	-	-	4,004
Interfund transfers in (note 3)	-	-	241,334	241,334
Interfund transfers out (note 3)	-	(241,334)	-	(241,334)
Total other financing sources (uses)	4,004	(11,369)	241,334	233,969
Net change in fund balances	48,793	(50,675)	10,782	8,900
Fund balances beginning of year, as restated (note 11)	518,358	494,822	147,823	1,161,003
Fund balances end of year	\$ <u>567,151</u>	\$ <u>444,147</u>	\$ <u>158,605</u>	\$ <u>1,169,903</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 8,900

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 228,647	
Depreciation expense	<u>(227,781)</u>	866

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 6,736

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (229,965)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 198,160

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (34,845)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	25,687	
Net OPEB liability	<u>(42,000)</u>	<u>(16,313)</u>

Change in net assets of governmental activities \$ (66,461)

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 82,113
Inventories	10,484
Capital assets, net of accumulated depreciation (note 4)	<u>39,697</u>
Total assets	<u>132,294</u>
Liabilities	
Unearned revenue	<u>2,914</u>
Net Assets	
Invested in capital assets	39,697
Unrestricted	<u>89,683</u>
Total net assets	<u>\$ 129,380</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>134,763</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	91,334
Benefits	32,626
Purchased services	8,594
Supplies	100,912
Depreciation	5,406
Other	445
	<u>239,317</u>
Operating loss	(104,554)
Non-operating revenues:	
Interest on investments	130
State sources	2,286
Federal sources	119,630
Total non-operating revenues	<u>122,046</u>
Change in net assets	17,492
Net assets beginning of year	<u>111,888</u>
Net assets end of year	\$ <u><u>129,380</u></u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 133,316
Cash received from miscellaneous operating activities	2,403
Cash payments to employees for services	(123,960)
Cash payments to suppliers for goods or services	<u>(87,609)</u>
Net cash used by operating activities	<u>(75,850)</u>
Cash flows from non-capital financing activities:	
State grants received	2,286
Federal grants received	<u>95,519</u>
Net cash provided by non-capital financing activities	<u>97,805</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,978)</u>
Cash flows from investing activities:	
Interest on investments	<u>130</u>
Net increase in cash and cash equivalents	18,107
Cash and cash equivalents beginning of year	<u>64,006</u>
Cash and cash equivalents end of year	<u>\$ 82,113</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (104,554)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,406
Commodities used	24,111
(Increase) in inventories	(1,769)
Increase in unearned revenue	<u>956</u>
Net cash used by operating activities	\$ <u><u>(75,850)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$24,111 of federal commodities.

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>23,089</u>	\$ <u>11,642</u>
Liabilities:		
Other payables	<u>-</u>	<u>11,642</u>
Net assets:		
Reserved for scholarships	\$ <u><u>23,089</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 5,500	
Interest	<u>20</u>	
Total additions	<u>5,520</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>5,950</u>
Change in net assets		(430)
Net assets beginning of year		<u>23,519</u>
Net assets end of year	\$	<u><u>23,089</u></u>
See notes to financial statements.		

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sigourney, Iowa, and agricultural territory in Keokuk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Sigourney Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

These financial statements present Sigourney Community School District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Blended Component Unit – The following component unit is an entity which is legally separate from the school district, but is so intertwined with the school district that it is, in substance, the same as the school district. It is reported as part of the school district and blended into the appropriate fund.

The Sigourney Education Foundation (Foundation) was created to raise money through contributions to advance, enhance, and support educational opportunities in the Sigourney Community School District. The Foundation is a separate legal entity whose directors are all members of the school Board of Education. The Foundation is reported as an Agency Fund.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk County Assessor's Conference Board.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – The balance of the flexible benefits plan offered by the District has been accrued as a liability.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Component Unit Agency Fund Investments – The Foundation had investments at June 30, 2011 as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>11,642</u>

The investments in the mutual funds are valued at fair value.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>241,334</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 147,865	\$ -	\$ -	\$ 147,865
Construction in progress	1,749,130	53,001	1,802,131	-
Total capital assets not being depreciated	<u>1,896,995</u>	<u>53,001</u>	<u>1,802,131</u>	<u>147,865</u>
Capital assets being depreciated:				
Buildings	4,475,240	1,836,930	-	6,312,170
Improvements other than buildings	641,907	-	-	641,907
Furniture and equipment	840,981	140,847	63,862	917,966
Total capital assets being depreciated	<u>5,958,128</u>	<u>1,977,777</u>	<u>63,862</u>	<u>7,872,043</u>
Less accumulated depreciation for:				
Buildings	2,213,960	122,975	-	2,336,935
Improvements other than buildings	280,848	29,617	-	310,465
Furniture and equipment	634,556	75,189	63,862	645,883
Total accumulated depreciation	<u>3,129,364</u>	<u>227,781</u>	<u>63,862</u>	<u>3,293,283</u>
Total capital assets being depreciated, net	<u>2,828,764</u>	<u>1,749,996</u>	<u>-</u>	<u>4,578,760</u>
Governmental activities capital assets, net	<u>\$ 4,725,759</u>	<u>\$ 1,802,997</u>	<u>\$ 1,802,131</u>	<u>\$ 4,726,625</u>
Business-type activities:				
Furniture and equipment	\$ 183,089	\$ 3,978	\$ 549	\$ 186,518
Less accumulated depreciation	<u>141,964</u>	<u>5,406</u>	<u>549</u>	<u>146,821</u>
Business-type activities capital assets, net	<u>\$ 41,125</u>	<u>\$ (1,428)</u>	<u>\$ -</u>	<u>\$ 39,697</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 44,246
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Support services:

Instructional staff	939
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Administration	11,168
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Operation and maintenance of plant services	5,904
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Transportation	45,171
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	<u>107,428</u>
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Unallocated depreciation	<u>120,353</u>
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Total governmental activities depreciation expense	\$ <u><u>227,781</u></u>
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Business-type activities:

Food service operations	\$ <u><u>5,406</u></u>
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SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 154,122	\$ -	\$ 25,687	\$ 128,435	\$ 51,374
Capital lease purchase agreements	478,247	120,909	189,642	409,514	189,643
Promissory note	1,645,049	54,951	-	1,700,000	28,425
Bank loan	-	54,105	8,518	45,587	17,614
Net OPEB liability	42,000	42,000	-	84,000	-
Total	<u>\$ 2,319,418</u>	<u>\$ 271,965</u>	<u>\$ 223,847</u>	<u>\$ 2,367,536</u>	<u>\$ 287,056</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. For the year ended June 30, 2011, early retirement was offered only to certified staff who were at least fifty-five years of age and had completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

For the year ended June 30, 2010, the early retirement benefit for each eligible employee was equal to one-half of the employee's salary excluding overtime, extra duty, extracurricular, and teacher comp and phase money and subject to a maximum of \$20,000 per individual. These early retirement benefits will be paid in six installments beginning January 2011 through June 2013. For those taking early retirement in the year ended June 30, 2011, the total benefit was \$20,000 and was paid before June 30, 2011.

At June 30, 2011, the District has obligations to nine participants with a total liability of \$128,435. Actual early retirement expenditures for the year ended June 30, 2011 totalled \$125,687. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Lease Purchase Agreements

During the year ended June 30, 2009, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$525,764 for the high school. The agreement provides for semiannual payments of \$50,000 each the first year and semiannual payments of \$70,961 each over the next three years.

During the year ended June 30, 2010, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$64,437 for the junior high school. The agreement provides for an initial down payment followed by payments of \$8,747 every April 1 and October 1 through April 1, 2013.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

During the year ended June 30, 2011, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$120,909. The agreement provides for semi-annual payments of \$15,114 every September 13 and March 13 through March 13, 2014.

Details of the District's June 30, 2011 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	High School Computers	Junior High School Computers	Computers and Computer Equipment	Total
2012	\$ 141,921	\$ 17,495	\$ 30,227	\$ 189,643
2013	141,922	17,494	30,227	189,643
2014	-	-	30,228	30,228
	<u>\$ 283,843</u>	<u>\$ 34,989</u>	<u>\$ 90,682</u>	<u>\$ 409,514</u>

Total payments on capital lease purchase agreements for the year ended June 30, 2011 were \$189,642.

Promissory Note

On July 13, 2009, the District issued a promissory note of \$1,700,000. The note is a draw-down loan with the proceeds of the issuance to be used to construct the Career Academy building. The note is payable over sixteen years and includes interest at 4.5% with the first payment of interest only due July 13, 2010.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Promissory Note (continued)

Details of the District's June 30, 2011 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 28,425	\$ 76,749	\$ 105,174
2013	28,491	76,683	105,174
2014	30,209	74,965	105,174
2015	31,587	73,587	105,174
2016	33,028	72,146	105,174
2017	34,342	70,832	105,174
2018	36,102	69,072	105,174
2019	37,749	67,425	105,174
2020	39,471	65,703	105,174
2021	41,097	64,077	105,174
2022	43,147	62,027	105,174
2023	45,116	60,058	105,174
2024	47,174	58,000	105,174
2025	49,174	56,000	105,174
2026	1,174,888	53,604	1,228,492
	<u>\$ 1,700,000</u>	<u>\$ 1,000,928</u>	<u>\$ 2,700,928</u>

Bank Loan

During the year ended June 30, 2011, the District entered into a bank loan to purchase three vans totaling \$54,105. The loan provides for quarterly payments of \$4,850 including interest of 4.5%.

Details of the District's June 30, 2011 bank loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 17,614	\$ 1,786	\$ 19,400
2013	18,436	964	19,400
2014	9,537	164	9,701
	<u>\$ 45,587</u>	<u>\$ 2,914</u>	<u>\$ 48,501</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	47,000
Contributions made	<u>5,000</u>
Increase in net OPEB obligation	42,000
Net OPEB obligation beginning of year	<u>42,000</u>
Net OPEB obligation end of year	<u><u>\$ 84,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$5,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 47,000	10.6%	\$ 84,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$362,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$362,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,758,000, and the ratio of the UAAL to covered payroll was 9.6%. As of June 30, 2011, there were no trust fund assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000 on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$250,208, \$240,764, and \$220,796, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Sigourney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$237,125 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 17,646
Beginning teacher mentoring and induction program	9,997
Market factor incentives	<u>5,021</u>
Total	<u>\$ 32,664</u>

Note 11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 490,516	\$ 4,306
Change in fund type classification per implementation of GASB Statement No. 54	<u>4,306</u>	<u>(4,306)</u>
Balances July 1, 2010, as restated	<u>\$ 494,822</u>	<u>\$ -</u>

Required Supplementary Information

SIGOURNEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,413,890	\$ 134,893	\$ 3,548,783	\$ 3,740,355	\$ (191,572)
State sources	3,128,095	2,286	3,130,381	3,345,559	(215,178)
Federal sources	732,782	119,630	852,412	444,950	407,462
Total revenues	7,274,767	256,809	7,531,576	7,530,864	712
EXPENDITURES/EXPENSES:					
Instruction	4,749,758	-	4,749,758	5,421,628	671,870
Support services	2,031,364	-	2,031,364	2,154,891	123,527
Non-instructional programs	2,055	239,317	241,372	309,996	68,624
Other expenditures	716,659	-	716,659	645,348	(71,311)
Total expenditures/expenses	7,499,836	239,317	7,739,153	8,531,863	792,710
Excess (deficiency) of revenues over (under) expenditures/ expenses	(225,069)	17,492	(207,577)	(1,000,999)	793,422
Other financing sources, net	233,969	-	233,969	-	233,969
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	8,900	17,492	26,392	(1,000,999)	1,027,391
Balance beginning of year	1,161,003	111,888	1,272,891	1,197,032	75,869
Balance end of year	<u>\$ 1,169,903</u>	<u>\$ 129,380</u>	<u>\$ 1,299,283</u>	<u>\$ 196,033</u>	<u>\$ 1,103,260</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 372	\$ 372	0.0%	\$ 3,660	10.2%
2011	July 1, 2009	-	362	362	0.0%	3,758	9.6%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 58,680	\$ 104,418	\$ 163,098
Receivables:			
Property tax:			
Current year	2,877	-	2,877
Succeeding year	150,000	-	150,000
Total assets	\$ 211,557	\$ 104,418	\$ 315,975
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,640	\$ 2,730	\$ 7,370
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	154,640	2,730	157,370
Fund balances:			
Restricted for:			
Management levy purposes	56,917	-	56,917
Student activities	-	101,688	101,688
Total fund balances	56,917	101,688	158,605
Total liabilities and fund balances	\$ 211,557	\$ 104,418	\$ 315,975

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 106,577	\$ -	\$ -	\$ 106,577
Other	9,277	170,294	-	179,571
Total revenues	115,854	170,294	-	286,148
Expenditures:				
Current:				
Instruction	61,566	168,329	-	229,895
Support services:				
Operation and maintenance of plant services	40,945	-	-	40,945
Transportation services	4,526	-	-	4,526
Other expenditures:				
Long term debt:				
Principal	-	-	198,160	198,160
Interest and fiscal charges	-	-	43,174	43,174
Total expenditures	107,037	168,329	241,334	516,700
Excess (deficiency) of revenues over (under) expenditures	8,817	1,965	(241,334)	(230,552)
Other financing sources (uses):				
Interfund transfers in	-	-	241,334	241,334
Net change in fund balances	8,817	1,965	-	10,782
Fund balances beginning of year	48,100	99,723	-	147,823
Fund balances end of year	\$ 56,917	\$ 101,688	\$ -	\$ 158,605

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 302,058	\$ 6,140	\$ 308,198
Receivables:			
Property tax:			
Current year	-	1,290	1,290
Succeeding year	-	49,090	49,090
Due from other governments	203,753	-	203,753
Total assets	\$ 505,811	\$ 56,520	\$ 562,331
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 62,442	\$ 6,652	\$ 69,094
Deferred revenue:			
Succeeding year property tax	-	49,090	49,090
Total liabilities	62,442	55,742	118,184
Fund balances:			
Restricted for:			
School infrastructure	443,369	-	443,369
Physical plant and equipment	-	778	778
Total fund balances	443,369	778	444,147
Total liabilities and fund balances	\$ 505,811	\$ 56,520	\$ 562,331

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 368,486	\$ 47,922	\$ -	\$ 416,408
Other	12,465	8	75	12,548
Total revenues	<u>380,951</u>	<u>47,930</u>	<u>75</u>	<u>428,956</u>
Expenditures:				
Current:				
Instruction	122,528	-	-	122,528
Support services:				
Administration services	34,744	4,443	-	39,187
Operation and maintenance of plant services	10,989	-	-	10,989
Transportation services	1,303	54,000	-	55,303
Non-instructional programs	-	2,055	-	2,055
Other expenditures:				
Facilities acquisition	140,134	45,065	53,001	238,200
Total expenditures	<u>309,698</u>	<u>105,563</u>	<u>53,001</u>	<u>468,262</u>
Excess (deficiency) of revenues over (under) expenditures	71,253	(57,633)	(52,926)	(39,306)
Other financing sources (uses):				
Capital lease proceeds	120,909	-	-	120,909
Promissory note issued	-	-	54,951	54,951
Bank loan proceeds	-	54,105	-	54,105
Intrafund transfers in	57,831	-	-	57,831
Intrafund transfers out	-	-	(57,831)	(57,831)
Interfund transfers out	(241,334)	-	-	(241,334)
Total other financing sources (uses)	<u>(62,594)</u>	<u>54,105</u>	<u>(2,880)</u>	<u>(11,369)</u>
Net change in fund balances	8,659	(3,528)	(55,806)	(50,675)
Fund balances beginning of year, as restated	<u>434,710</u>	<u>4,306</u>	<u>55,806</u>	<u>494,822</u>
Fund balances end of year	<u>\$ 443,369</u>	<u>\$ 778</u>	<u>\$ -</u>	<u>\$ 444,147</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 2,264	\$ 1,402	\$ 1,696	\$ 1,970
Spanish Club	2,959	7	68	2,898
Band Trip	1,771	8,873	4,890	5,754
Girls Basketball Fundraising	3,732	3,488	5,253	1,967
Girls Golf Fundraising	14	7	-	21
Boys Basketball	4,952	1,665	5,276	1,341
Trapshooting	1,053	4,687	5,025	715
Girls Track Fundraising	281	22	-	303
Softball	5,355	719	576	5,498
Baseball Fundraising	4,648	5,900	6,373	4,175
Volleyball Fundraising	880	848	1,135	593
Wrestling Fundraising	10,337	6,807	4,090	13,054
KC STAAR Fundraising	2,126	4,908	1,223	5,811
Athletics	11,560	73,335	65,366	19,529
Sigourney - Keota	333	5,520	3,662	2,191
Junior High Student Council	919	7	765	161
Honor Society	-	420	420	-
FCCLA	9,113	9,451	7,675	10,889
FFA	8,516	32,662	36,259	4,919
Student Council	7,317	3,166	6,932	3,551
Cheerleaders	10,686	3,559	4,195	10,050
Wrestling Cheerleaders	705	562	61	1,206
Class of 2010	306	-	306	-
Class of 2011	1,720	118	1,838	-
Class of 2012	3,961	618	4,078	501
Class of 2013	2,058	117	104	2,071
Class of 2014	993	91	144	940
Class of 2015	136	946	499	583
Class of 2016	-	71	-	71
Blood Drive	1,028	648	750	926
Intrafund Transfers	-	(330)	(330)	-
	<u>\$ 99,723</u>	<u>\$ 170,294</u>	<u>\$ 168,329</u>	<u>\$ 101,688</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>11,578</u>	\$ <u>94</u>	\$ <u>30</u>	\$ <u>11,642</u>
Liabilities				
Other payables	\$ <u>11,578</u>	\$ <u>94</u>	\$ <u>30</u>	\$ <u>11,642</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 2,803,383	\$ 2,614,121	\$ 2,678,543	\$ 2,630,254
Tuition	172,705	172,171	247,583	260,764
Other	437,802	294,740	402,271	527,109
State sources	3,128,095	2,936,242	2,968,223	3,405,799
Federal sources	732,782	791,398	292,943	488,958
Total revenues	<u>\$ 7,274,767</u>	<u>\$ 6,808,672</u>	<u>\$ 6,589,563</u>	<u>\$ 7,312,884</u>
Expenditures:				
Instruction	\$ 4,749,758	\$ 4,613,137	\$ 4,147,399	\$ 3,918,372
Support services:				
Student services	26,466	68,554	93,767	91,569
Instructional staff services	152,780	192,804	195,697	183,197
Administration services	982,555	859,628	1,304,820	869,479
Operation and maintenance of plant services	594,917	534,704	644,265	574,375
Transportation services	274,646	224,338	223,436	473,581
Central support services	-	-	-	-
Non-instructional programs	2,055	-	1,640	652
Other expenditures:				
Facilities acquisition	238,200	1,857,480	38,592	516,926
Long-term debt:				
Principal	198,160	111,954	260,000	255,000
Interest and fiscal charges	43,174	-	12,160	23,835
AEA flowthrough	237,125	234,365	216,486	213,973
Total expenditures	<u>\$ 7,499,836</u>	<u>\$ 8,696,964</u>	<u>\$ 7,138,262</u>	<u>\$ 7,120,959</u>

See accompanying independent auditor's report.

2007		2006		2005		2004	
\$	2,310,889	\$	2,461,134	\$	2,374,146	\$	2,156,319
	247,180		295,282		387,580		446,806
	328,882		313,145		269,074		260,471
	3,355,294		3,113,321		3,025,100		2,861,247
	318,873		331,662		302,972		290,904
<hr/>							
\$	<u>6,561,118</u>	\$	<u>6,514,544</u>	\$	<u>6,358,872</u>	\$	<u>6,015,747</u>
<hr/>							
\$	4,132,620	\$	4,461,857	\$	4,230,765	\$	4,366,462
	96,963		97,821		97,550		92,753
	203,032		189,373		199,712		138,823
	813,955		750,145		646,285		586,137
	535,287		551,149		457,047		285,958
	221,468		270,654		257,980		233,505
	-		-		-		17,854
	2,632		694		505		631
	11,365		33,326		3,113		17,391
	160,000		320,000		225,000		215,000
	30,875		45,220		54,870		63,743
	210,712		193,955		193,071		196,894
<hr/>							
\$	<u>6,418,909</u>	\$	<u>6,914,194</u>	\$	<u>6,365,898</u>	\$	<u>6,215,151</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 11	\$ <u>159,420</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	14,502
National School Lunch Program	10.555	FY 11	81,017
National School Lunch Program (non-cash)	10.555	FY 11	<u>24,111</u>
			<u>119,630</u>
U. S. Department of Justice:			
City of Sigourney:			
Public Safety Partnership and Community Policing Grants	16.710	FY 11	<u>23,677</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6012G	83,542
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>44,073</u>
			<u>127,615</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	1,165
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>21,301</u>
			<u>22,466</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>37,682</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>3,718</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	149,079
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	31,570
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>28,159</u>
			<u>208,808</u>
Education Jobs Fund	84.410	FY 11	<u>119,958</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U.S. Department of Education (continued):			
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	\$ <u>29,438</u>
 Total			 \$ <u><u>852,412</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sigourney Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sigourney Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sigourney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Sigourney Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sigourney Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sigourney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sigourney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 28, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Sigourney Community School District:

Compliance

We have audited Sigourney Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Sigourney Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sigourney Community School District's management. Our responsibility is to express an opinion on Sigourney Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sigourney Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sigourney Community School District's compliance with those requirements.

In our opinion, Sigourney Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Sigourney Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sigourney Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
December 28, 2011

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sigourney Community School District did not qualify as a low-risk auditee.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Financial Reporting – During the audit, we identified material amounts of receivables, payables, capital leases and capital assets additions, deletions and depreciation not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, capital leases and capital asset transactions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, capital leases or capital asset transactions.

Conclusion – Response accepted.

- II-B-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the recording of disbursements in the system, preparation of the checks, and bank reconciliations are done by the same individual for the Student Activity and School Nutrition Funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement where possible.

Conclusion – Response accepted.

- II-C-11 Sigourney Education Foundation – The District is acting as an agent of the Sigourney Education Foundation, which is considered a blended component unit of the District. However, this fund is not recorded in the District's general ledger.

Recommendation – The District should record the Sigourney Education Foundation into an agency fund in their software system's general ledger, or consider having the Foundation dissolve and transfer its assets to the school as a scholarship trust fund.

Response – We had not previously been told that the Sigourney Education Foundation should be incorporated in the District's records. We are in the process of reorganizing the Foundation board so that the District does not act as fiscal agent and the board of the Foundation will be separate from the school's board. We may also consider dissolving the Foundation and transfer the scholarship funds to the school district.

Conclusion – Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	434,710	
Revenues/transfers in:				
Sales tax revenues	\$	368,486		
Other local revenues		12,465		
Issuance of long-term debt		120,909		
Intrafund transfer from:				
Other Capital Projects		<u>57,831</u>	<u>559,691</u>	
Expenditures/transfers out:				
School infrastructure construction		23,890		
Equipment		164,242		
Other		121,566		
Transfers to other funds:				
Debt Service Fund		<u>241,334</u>	<u>551,032</u>	
Ending balance		\$	<u><u>443,369</u></u>	

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.